

# SENATE AMENDMENTS

2<sup>nd</sup> Printing

By: Bonnen of Brazoria

H.B. No. 2999

A BILL TO BE ENTITLED

AN ACT

relating to the exemption from ad valorem taxation of property owned by certain medical centers in certain counties.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 11.23(j-1), Tax Code, is amended to read as follows:

(j-1) Medical Center Development in Populous Counties. In a county with a population of 3.3 million or more [~~described by Section 201.1055(1), Transportation Code~~], all real and personal property owned by a nonprofit corporation, as that term is defined by Section 22.001, Business Organizations Code, organized exclusively for benevolent, charitable, and educational purposes [~~in the Texas Non-Profit Corporation Act (Article 1396-1.01 et seq., Vernon's Texas Civil Statutes)~~], and held for use in the development or operation of a medical center area or areas in which the nonprofit corporation has donated land for a state medical, dental, or nursing school, [~~and~~] for other hospital, medical, educational, research, or nonprofit uses and uses reasonably related to those uses [~~thereto~~], for auxiliary uses to support those benevolent, charitable, and educational functions, including the invention, development, and dissemination of materials, tools, technologies, processes, and similar means for translating and applying medical and scientific research for practical applications to advance public health, or for governmental or

1 public purposes, including the relief of traffic congestion, [~~and~~  
2 ~~not leased or otherwise used with a view to profit,~~] is exempt from  
3 all ad valorem taxation [~~as though the property were, during that~~  
4 ~~time, owned and held by the state for health and educational~~  
5 ~~purposes~~]. In connection with the application or enforcement of a  
6 deed restriction or a covenant related to the property, a use or  
7 purpose described in this subsection shall also be considered to be  
8 a hospital, medical, or educational use, or a use that is reasonably  
9 related to a hospital, medical, or educational use.

10 SECTION 2. This Act applies only to ad valorem taxes imposed  
11 for a tax year beginning on or after the effective date of this Act.

12 SECTION 3. This Act takes effect January 1, 2018.

**ADOPTED**

MAY 18 2017

*Leta Spaul*  
Secretary of the Senate

By: Huffman

Substitute the following for \_\_.B. No. \_\_\_\_:

By: *Jordan Huffman*

C.S.H.B. No. 2999

A BILL TO BE ENTITLED

1 AN ACT  
2 relating to the exemption from ad valorem taxation of property  
3 owned by certain medical centers in certain counties.

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

5 SECTION 1. Section 11.23(j-1), Tax Code, is amended to read  
6 as follows:

7 (j-1) Medical Center Development in Populous Counties. In a  
8 county with a population of 3.3 million or more [~~described by~~  
9 ~~Section 201.1055(1), Transportation Code~~], all real and personal  
10 property owned by a nonprofit corporation, as that term is defined  
11 by Section 22.001, Business Organizations Code, organized  
12 exclusively for benevolent, charitable, and educational purposes  
13 [~~in the Texas Non-Profit Corporation Act (Article 1396-1.01 et~~  
14 ~~seq., Vernon's Texas Civil Statutes)~~], and held for use in the  
15 development or operation of a medical center area or areas in which  
16 the nonprofit corporation has donated land for a state medical,  
17 dental, or nursing school, [~~and~~] for other hospital, medical,  
18 educational, research, or nonprofit uses and uses reasonably  
19 related to those uses [~~thereto~~], for auxiliary uses to support  
20 those benevolent, charitable, and educational functions, including  
21 the invention, development, and dissemination of materials, tools,  
22 technologies, processes, and similar means for translating and  
23 applying medical and scientific research for practical  
24 applications to advance public health, or for governmental or

1 public purposes, including the relief of traffic congestion, [~~and~~  
2 ~~not leased or otherwise used with a view to profit,~~] is exempt from  
3 all ad valorem taxation [~~as though the property were, during that~~  
4 ~~time, owned and held by the state for health and educational~~  
5 ~~purposes~~]. In connection with the application or enforcement of a  
6 deed restriction or a covenant related to the property, a use or  
7 purpose described in this subsection shall also be considered to be  
8 a hospital, medical, or educational use, or a use that is reasonably  
9 related to a hospital, medical, or educational use.

10 SECTION 2. Section 11.23(j-1), Tax Code, as amended by this  
11 Act, does not exempt from ad valorem taxation any interest in real  
12 or personal property, including a leasehold or other possessory  
13 interest, of a for-profit lessee of property for which a nonprofit  
14 corporation is entitled to an exemption from ad valorem taxation  
15 under that subsection.

16 SECTION 3. This Act applies only to ad valorem taxes imposed  
17 for a tax year beginning on or after the effective date of this Act.

18 SECTION 4. This Act takes effect January 1, 2018.

ADOPTED

MAY 18 2017

*Atty Gen*  
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY: Joan Huffman

1 Amend C.S.H.B. No. 2999 (senate committee report) as  
2 follows:

3 (1) In SECTION 1 of the bill, in amended Section 11.23(j-1),  
4 Tax Code (page 1, line 58), immediately following the period, add  
5 the following:

6 This subsection may not be construed to exempt from taxation any  
7 interest in real or personal property, including a leasehold or  
8 other possessory interest, of a for-profit lessee of property for  
9 which a nonprofit corporation is entitled to an exemption from  
10 taxation under this subsection.

11 (2) Strike SECTION 2 of the bill (page 1, line 59, through  
12 page 2, line 4) and renumber SECTIONS of the bill accordingly.

LEGISLATIVE BUDGET BOARD  
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 20, 2017

**TO:** Honorable Joe Straus, Speaker of the House, House of Representatives

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2999** by Bonnen, Dennis (Relating to the exemption from ad valorem taxation of property owned by certain medical centers in certain counties.), **As Passed 2nd House**

**No fiscal implication to the State is anticipated.**

The bill would amend Chapter 11 of the Tax Code, regarding property tax exemptions, to provide that in a county with a population of 3.3 million or more (Harris County, rather than a county described by Section 201.1055 of the Transportation Code, regarding agreements with private entities), all real and personal property owned by a nonprofit corporation, as that term is defined by Section 22.001 of the Business Organizations Code, organized exclusively for benevolent, charitable, and educational purposes (rather than as defined in the Texas Non-Profit Corporation Act), and held for use as a medical center area or areas in which the nonprofit corporation has donated land for certain specified uses is exempt from property taxation. The bill would add to the existing qualifying uses:

1. research; and
2. auxiliary uses to support benevolent, charitable and educational functions, including the invention, development and dissemination of materials, tools, technologies, processes and similar means for translating and applying medical and scientific research for practical applications to advance public health.

The bill would strike the requirement that the property not be leased or otherwise used with a view to profit.

The bill would specify that the bill's provisions would not exempt from property taxation any interest in real or personal property, including a leasehold or other possessory interest, of a for-profit lessee of property for which a nonprofit corporation is entitled to an exemption from property taxation.

Section 25.07 of the Tax Code provides (with certain exceptions) that a leasehold or other possessory interest in real property that is exempt from taxation to the owner of the estate or interest encumbered by the possessory interest shall be listed in the name of the owner of the possessory interest if the duration of the interest may be at least one year. Section 23.13 provides that a taxable leasehold that is exempt to the property owner is appraised at the market value of the leasehold. These provisions mean that a property that is leased from an exempt entity by a non-exempt entity is subject to property taxes, and any property that falls under this provision is already considered taxable by the Harris County Appraisal District. All other property owned by the Texas Medical Center, which is the nonprofit corporation in question, is already exempt. The bill's provisions would not change this situation; consequently, the bill would not create a cost to

local taxing units or the state.

The bill would take effect on January 1, 2018.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD, SJS

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**May 12, 2017**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2999** by Bonnen, Dennis (relating to the exemption from ad valorem taxation of property owned by certain medical centers in certain counties.), **Committee Report 2nd House, Substituted**

<p><b>No fiscal implication to the State is anticipated.</b></p>
--

The bill would amend Chapter 11 of the Tax Code, regarding property tax exemptions, to provide that in a county with a population of 3.3 million or more (Harris County, rather than a county described by Section 201.1055 of the Transportation Code, regarding agreements with private entities), all real and personal property owned by a nonprofit corporation, as that term is defined by Section 22.001 of the Business Organizations Code, organized exclusively for benevolent, charitable, and educational purposes (rather than as defined in the Texas Non-Profit Corporation Act), and held for use as a medical center area or areas in which the nonprofit corporation has donated land for certain specified uses is exempt from property taxation. The bill would add to the existing qualifying uses:

1. research; and
2. auxiliary uses to support benevolent, charitable and educational functions, including the invention, development and dissemination of materials, tools, technologies, processes and similar means for translating and applying medical and scientific research for practical applications to advance public health.

The bill would strike the requirement that the property not be leased or otherwise used with a view to profit.

The bill would add session law to specify that the bill's provisions would not exempt from property taxation any interest in real or personal property, including a leasehold or other possessory interest, of a for-profit lessee of property for which a nonprofit corporation is entitled to an exemption from property taxation.

Section 25.07 of the Tax Code provides (with certain exceptions) that a leasehold or other possessory interest in real property that is exempt from taxation to the owner of the estate or interest encumbered by the possessory interest shall be listed in the name of the owner of the possessory interest if the duration of the interest may be at least one year. Section 23.13 provides that a taxable leasehold that is exempt to the property owner is appraised at the market value of the leasehold. These provisions mean that a property that is leased from an exempt entity by a non-exempt entity is subject to property taxes, and any property that falls under this provision is already considered taxable by the Harris County Appraisal District. All other property owned by the Texas Medical Center, which is the nonprofit corporation in question, is already exempt. The

bill's provisions would not change this situation; consequently, the bill would not create a cost to local taxing units or the state.

The bill would take effect on January 1, 2018.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD, SJS

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**May 10, 2017**

**TO:** Honorable Jane Nelson, Chair, Senate Committee on Finance

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2999** by Bonnen, Dennis (Relating to the exemption from ad valorem taxation of property owned by certain medical centers in certain counties.), **As Engrossed**

<p><b>No fiscal implication to the State is anticipated.</b></p>
--

The bill would amend Chapter 11 of the Tax Code, regarding property tax exemptions, to provide that in a county with a population of 3.3 million or more (Harris County, rather than a county described by Section 201.1055 of the Transportation Code, regarding agreements with private entities), all real and personal property owned by a nonprofit corporation, as that term is defined by Section 22.001 of the Business Organizations Code, organized exclusively for benevolent, charitable, and educational purposes (rather than as defined in the Texas Non-Profit Corporation Act), and held for use as a medical center area or areas in which the nonprofit corporation has donated land for certain specified uses is exempt from property taxation. The bill would add to the existing qualifying uses:

1. research; and
2. auxiliary uses to support benevolent, charitable and educational functions, including the invention, development and dissemination of materials, tools, technologies, processes and similar means for translating and applying medical and scientific research for practical applications to advance public health.

The bill would strike the requirement that the property not be leased or otherwise used with a view to profit.

Section 25.07 of the Tax Code provides (with certain exceptions) that a leasehold or other possessory interest in real property that is exempt from taxation to the owner of the estate or interest encumbered by the possessory interest shall be listed in the name of the owner of the possessory interest if the duration of the interest may be at least one year. Section 23.13 provides that a taxable leasehold that is exempt to the property owner is appraised at the market value of the leasehold. These provisions mean that a property that is leased from an exempt entity by a non-exempt entity is subject to property taxes, and any property that falls under this provision is already considered taxable by the Harris County Appraisal District. All other property owned by the Texas Medical Center, which is the nonprofit corporation in question, is already exempt. The bill's provisions would not change this situation; consequently, the bill would not create a cost to local taxing units or the state.

The bill would take effect on January 1, 2018.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD, SJS

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION**

**March 28, 2017**

**TO:** Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE: HB2999** by Bonnen, Dennis (Relating to the exemption from ad valorem taxation of property owned by certain medical centers in certain counties.), **As Introduced**

**Passage of the bill would add research and certain auxiliary uses of medical center property to the qualifying uses for a property tax exemption in a county with a population of 3.3 million or more. Passage of the bill would also delete the requirement that the property not be leased or otherwise used with a view to profit. As a result, taxable property values in Harris County could be reduced and the related costs to the Foundation School Fund could be increased through the operation of the school finance formulas.**

The bill would amend Chapter 11 of the Tax Code, regarding property tax exemptions, to provide that in a county with a population of 3.3 million or more (Harris County, rather than a county described by Section 201.1055 of the Transportation Code, regarding agreements with private entities), all real and personal property owned by a nonprofit corporation, as that term is defined by Section 22.001 of the Business Organizations Code, organized exclusively for benevolent, charitable, and educational purposes (rather than as defined in the Texas Non-Profit Corporation Act), and held for use as a medical center area or areas in which the nonprofit corporation has donated land for certain specified uses is exempt from property taxation. The bill would add to the existing qualifying uses:

1. research; and
2. auxiliary uses to support benevolent, charitable and educational functions, including the invention, development and dissemination of materials, tools, technologies, processes and similar means for translating and applying medical and scientific research for practical applications to advance public health.

The bill would strike the requirement that the property not be leased or otherwise used with a view to profit.

The bill's addition of research and certain auxiliary uses of medical center property to the qualifying uses for the property tax exemption, in conjunction with the deletion of the requirement that the property not be leased or otherwise used with a view to profit would create a cost to Harris County taxing units and the state through the school finance formulas. The value of property which might be exempted in Harris County under the bill is unknown; consequently the cost of the bill cannot be estimated.

The bill would take effect on January 1, 2018.

## **Local Government Impact**

Passage of the bill would add research and certain auxiliary uses of medical center property to the qualifying uses for a property tax exemption in a county with a population of 3.3 million or more. Passage of the bill would also delete the requirement that the property not be leased or otherwise used with a view to profit. As a result, taxable property values and the related ad valorem tax revenue for Harris County taxing units could be reduced.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD, SJS